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## Oracle takes on tech titans with Sun purchase

Deborah Gage, Chronicle Staff Writer

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Paul Sakuma / AP

Oracle CEO Larry Ellison calls Sun Microsystems' Java "the single most important software asset we have ever acquired."

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**(04-20) 11:37 PDT****REDWOOD SHORES** -- In a

dramatic move that surprised nearly everybody, Oracle said Monday it would acquire Sun Microsystems for \$7.4 billion.

The deal will reshape the technology industry, turning Oracle, until now a maker of databases and other software, into a hardware company that will compete with Hewlett-Packard, IBM and Cisco in the multibillion-dollar market for data centers, where companies store and retrieve information over the Internet rather than keeping it on computers inside their walls.

It also snatches Sun away from IBM, which reportedly had been negotiating to buy Sun for the past several weeks. IBM had no comment on the deal.

"There's a lot of pride in Silicon Valley, and when you walked around the halls (of Sun and Oracle) during the potential IBM transaction, there was some

agitation about East Coasters coming in, wondering, 'Will we have to wear suits and

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ties?' " said Eric Openshaw, U.S. technology leader of Deloitte, which does business with Sun and other local technology companies.

Sun is the latest, although not the largest, in a long line of companies that Oracle has swallowed since 2005 when it began to drive consolidation in the software industry, eliminating thousands of high-tech jobs.

Its targets have included Silicon Valley software giants BEA, Siebel and PeopleSoft, as well as small software companies targeted at specific industries.

### **Many customers in common**

Neither Sun nor Oracle is taking questions on the deal, which is expected to close this summer if shareholders approve, but the two share thousands of corporate customers that run Sun servers and Sun's Solaris operating system underneath Oracle databases and middleware.

Oracle could deliver ready-to-run servers for certain industries, such as retail and banking, Oracle President Charles Phillips said in a conference call with financial analysts. The company will cut costs by tuning Sun systems to run Oracle and Sun software so that the entire software and hardware stack performs better, with less downtime, he said.

Oracle is assuming, based on non-GAAP, or Generally Accepted Accounting Principles, that Sun will add \$1.5 billion in operating profit to Oracle in the first year, increasing to \$2 billion in the second year, said Oracle's other president, Safra Catz. That amount is more profit than what Oracle had expected to get from its acquisitions of BEA, PeopleSoft and Siebel combined.

"Java runs on hundreds of millions of computers, cell phones and even DVDs, and Oracle's fusion middleware is based entirely on Sun Java," said Oracle CEO Larry Ellison. "Java is the single most important software asset we have ever acquired."

Sun's Java programming language, which Sun's James Gosling created in the early 1990s as a way to write software applications that could run independently of their underlying hardware and software - "write once, run anywhere" - is one of the computer industry's most important innovations.

Gosling was treated like a rock star when Sun introduced Java, receiving standing ovations when he spoke to developers. Both Oracle and IBM rely heavily on Java today.

But in addition to concerns about the antitrust aspects of an IBM-Sun deal - the two would have dominated the Unix server market - there were questions about how well Sun employees would fit into IBM's buttoned-down culture.

## **Not much overlap in firms**

Sun and Oracle don't have nearly as much overlap in their products, and the companies have worked closely together over the years. Ellison and Sun Chairman Scott McNealy were buddies and would appear together at industry events during the dot-com boom, when Oracle and Sun, along with Cisco and EMC, were known as the "four horsemen" of the dot-com era because so many Internet startups bought their products.

While Oracle, Cisco and EMC all pulled through the bust that followed, Sun struggled, despite its record as a technology innovator. Its acquisition by Oracle is a bittersweet end.

Sun was a bargain for Oracle - said Bob Gill, managing director of servers at the InfoPro - when you figure in Sun's cash and debt, the deal is valued at \$5.6 billion, which is less than what Oracle paid for BEA and PeopleSoft when no hardware was included. Oracle is buying Sun for \$9.50 per share.

Sun's shares rose nearly 37 percent to close at \$9.15 on Monday, while shares in IBM and Oracle fell slightly. Oracle's closed at \$18.82, down 1.26 percent, and IBM's closed at \$100.43, a drop of nearly 1 percent.

**In Business:** Sun's demise illustrates how great ideas get copied in an era of relentless change. **C1**

## **The players**

### **ORACLE**

**Founded:** 1977 by Larry Ellison and two other programmers, Bob Miner and Edward Oates. Their first product was inspired by IBM's database software research in San Jose.

**CEO:** Larry Ellison.

**Employees:** 86,000.

**Earnings:** Sales of \$24.6 billion and profit of \$5.7 billion over past four quarters.

### **SUN MICROSYSTEMS**

**Founded:** 1982. Began selling workstations that offered high-performance computing power for scientists, software developers and other researchers.

**CEO:** Jonathan Schwartz.

**Employees:** 33,556.

**Earnings:** Sales of \$13.3 billion and a loss of \$1.9 billion over the past four quarters.

**Source:** Associated Press

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*This article appeared on page **A - 1** of the San Francisco Chronicle*

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